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## **CIVIL CONTRACTORS NEW ZEALAND – COVID-19 POSITION UPDATE AND REQUESTS**

### **Background**

This paper has been developed following engagement with CCNZ members. We all appreciate that issues are moving quickly. Our members' key focus over the last week has been the physical lockdown process, caring for staff and understanding the actual and potential impact on our businesses, including subcontractors.

Most of our members are either shut down completely or have a relatively small percentage of their staff involved in the provision of essential services.

Members, clients and staff are responding in different ways dependent on their situation and the information they have. Most contractors have applied for the wage subsidy or plan to apply, many are providing special leave and/or have reduced staff salaries and wages and/or asked staff to consider taking annual leave.

Most of our blue-collar workers are unable to work from home. Once the blue-collar workforce is shut down the white-collar workers will follow regardless of whether they are able to work from home or not.

### **1. Survival of the industry**

All of our members are united. As a nation we must take action together to minimise the impact of the COVID-19 pandemic. However, they have also all expressed that the sudden loss of cash flow has immediately created a cash flow crisis.

Companies of all sizes struggle without balanced cashflows. Without proactive intervention, many, will become insolvent. The most vulnerable to a cash flow challenge are those in the supply chain the small to medium subcontractors and suppliers.

If intervention is not quickly organised, the industry's ability to support the rebuilding the economy will be compromised.

### **2. Cashflow now**

Our members' biggest threat is the impact of the current lockdown. Without cashflow they are unable to retain their staff and subcontractors and consequently the industry's ability to restart quickly (see 4 below)

Many contractors currently have people working on:

- Employee management and communication
- Commercial activities to ensure progress claims are made, commercial issues are kept tidy (old claims, record keeping, documentation for COVID-19 impacts, supplier management)

- Project management to maintain and protect sites, maintain project records and reset programmes for fast start up
- Safety and support related to the above

These people are funded from overheads derived from revenue, and we will be unable to support them without cashflow.

There are a several things clients must consider to assist the industry. Again, the government and the Accord Group must take a lead role in promoting these actions.

- a. Accelerating payment of current invoices
- b. Early release of retentions and bonds, which would be very effective in freeing up bank facility available to small contractors
- c. Payments on account, based on holding costs against claims that will fully and transparently set out the cost of the suspension/variation, and the other effects of the pandemic.
- d. Consideration of the value for money and business continuity created by continuing to pay suppliers in the short term. This will support continuity of services for when services can resume.
- e. Speedy resolutions of any disputed payments

We understand that NZTA is considering a package to assist their contractors and subcontractors. But many of our members also work for local authorities and private clients who should be encouraged to do this also (particularly clients whose income is not impacted significantly by COVID-19 e.g. water utilities and local authorities).

### **3. Inconsistent approach by clients to COVID-19 Lockdown**

We have received several legal opinions stating the Engineer must issue a suspension notice/variation for this event.

In practice, we have however seen a very inconsistent approach on a project by project basis. CCNZ urges Government, key private clients and contractors via the Accord to take a leadership position to develop a consistent approach across the construction industry, by formally suspending all construction contracts that have stopped and working with contractors to mitigate the impact of the pandemic.

This approach should be based on a high level of trust (a key Accord behaviour which is not currently being shown by all) and urgently needs to:

- a. provide leadership for the wider industry
- b. maintain viability, protect people and position us for the future and a quick restart
- c. include how subcontractors and staff will be looked after

We understand work on this is already underway. CCNZ welcomes the opportunity to be involved in developing and promoting the consistent approach.

### **4. Rapid restart**

The quick restart of all business following the lockdown period will be vital to the broader economy and businesses recovery which will have flow on benefits to subcontractors and employees. There is a lot we can do now to position ourselves for the best recovery. Points 1 and 2 above will have a critical impact on our ability to retain and position capability and capacity for the restart of work.

We must recognise however, that most projects will not be able to simply restart. Restarts will be complicated by disruption in the supply chain and the movement of goods, assessment and if necessary remedial works to elements that may have been damaged over the lockdown, particularly as we have transitioned into winter during the lock down period.

Consideration needs to be given to the possibility of early start-up (prior to the Level 4 Lockdown being lifted) of selected priority projects and/or functions (i.e. assessment of remedial work required, restart preparation) under a set of agreed controls to manage the COVID-19 risk.

CCNZ is anticipating a staged return to work following the Level 4 Alert lockdown. Under a Level 3 Alert regime there will be a prolonged period of restricted movement and social separation. Our recommendations for enabling the economy and industry to move ahead during that period are:

- a. The identification of shovel ready projects that can be accelerated now particularly for clients whose income is not impacted significantly by COVID-19. We are aware of and support the projects being led by Crown Infrastructure Partners.
- b. Working with local government to create mechanisms to bring forward community projects, initiate deferred maintenance and construct or upgrade infrastructure.
- c. The Government and Accord partners over the next three weeks develop construction industry wide operating protocols "Working under Alert Level 3" to be applied following the lifting of the Level 4 Lockdown.
- d. Assessment is made of all capital projects that are now closed down to expedite and maximise the post Level 4 lockdown recommencement of work using the operating protocols developed under c) above.
- e. Review Government and council consenting and approval processes to expedite progress on moving projects to shovel ready status.

Regards,

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